ries separated in 1950, and, in consequence, Syria regained freedom of action in directing her customs and economic policies and in managing her economy on an independent basis. 651 648

11. The new Syrian government also had to face serious internal problems, that the Mandatory power with its "Laissez-faire" policy had not attempted to deal with. No factual study of the country was made nor any determined course of economic action undertaken. The following are the most serious of the defects of the economic system at that time :

First there was a lack of statistics and detailed studies upon which to base a sound economic policy. Nor were there any technical and scientific studies of the country's economic resources, or plans for developing and exploiting them. Secondly, the banking system failed in meeting the country's need for agricultural credit and for medium and long term credit. The majority of the banks were branches of foreign banks that specialized in commercial short-term credit operations, and which, with the exception of the Banque de Syrie et du Liban, avoided seasonal agricultural lending. All the banks operated without any control or direction. Furthermore, no bank had up to that date been established to deal with industrial or mortgage credit. There was only the Agricultural Bank, established by the government to deal with medium-term agricultural loans, but its regulations, staffing and limited means did not enable it to play a major role in meeting the needs of agriculture. Thirdly there was no money market that could attract national savings and invest them in development projects. People with savings have always preferred to hoard them in the form of gold, or else they invested them in real estate. In addition, foreign capital avoided entry into the country because of restrictions on exchange, and other reasons. 659 453 652 454

12. During the period 1945 to 1953 the government made a great effort to regulate the Syrian economy in the fields of trade,[1] 656

1 Legislative Decree No. 14 of December 18, 1951 and its amendments concern the regulation of the possession of, and trade in, raw materials and products. Legislative Decree No. 151, of March 3, 1952 and its amendments concern company law and the law governing firms established outside Syria. Legislative Decree No. 60, of January 13, 1952 and its amendments regulate foreign trade etc.

industry,[1] and agriculture,[2] and to establish stable principles of economic policy.[3]

To remedy the above mentioned defects and to fill the gaps in the country's economic structure the government established a Directorate of Statistics[4] and directed its attention to the preparation of scientific and technical studies of the country's resources.[5] Finally, the government reformed the country's banking and monetary systems by creating, in accordance with the Basic Monetary Law,[6] the Money and Credit Council with the function of exercising monetary control; it laid down new monetary regulations inspired by the needs of the country and regulated the operations of bankers and money-changers. Reform included also the expansion of the Agricultural Bank's capital, the strengthening of its financial means and the extension of its operations to meet seasonal credit needs.[7] The question of medium and long-term credit remains however still unsolved.

13. To complete this brief survey of Syria's economic position in 1945, when the new national government came to power, it is necessary to give some account of general economic conditions.

1 Legislative Decree No. 47, of August 7, 1952 and amendments regulating Syrian industry.
Legislative Decree No. 138, of November 6, 1952 regulating industrial, commercial and free professions.
Legislative Decree No. 103, of September 27, 1952 relating to the encouragement of industry.

2 Legislative Decree No. 135, of October 29, 1952 and Regulatory Decree No. 768 of November 3, 1952 concerning the distribution of state lands.
Legislative Decrees No. 50, 51 and 52 dated January 9, 1952 and No. 81, 82 and 83 dated January 23, 1952 and No. 125 and 126, dated January 20, 1952 relating to the planting and export of cotton; Legislative Decrees No. 27, 80 and 106 of 1952 concerning the sale of Agricultural machinery and the combatting of agricultural pests and insects etc.

3 *Vide Syrian Economy 1953* - Government Press, Damascus.

4 Legislative Decrees No. 130 and 35 dated June 11, 1949.

5 Report by Sir Alexander Gibb and Partners, 1947; studies of irrigation projects, the Ghab project, Lattakia port project and the Aleppo water scheme; Mission of the International Bank of Reconstruction and Development.

6 Legislative Decree No. 87, of March 28, 1953.

7 Law 77, dated June 28, 1951 which provides for the addition of LS 10 million to the capital of the Agricultural Bank; Law 126 which grants LS 5.5 million to farmers affected by losses; Legislative Decree No. 9 amending the Agricultural Bank Law; and Legislative Decree No. 97 which empowers the Agricultural Bank to extend seasonal loans etc.

655 654 strains or to cultivate them in the Government stations in Syria.

435 651 185 654 3. The price of fuel is a major obstacle to agriculture and to the possibility of competing on the world market. While the price of a ton of mazut in the Euphrates area in Iraq is LS 21 its price in Kamishli is LS 175, i.e., more than eight times as much. The same is true to a lesser degree of the price of gasoline and kerosene due to excessive Government taxation. The Government used to refund to farmers a part of the taxes on gasoline and kerosene used in agricultural machinery, but it has recently abolished even this meager help.

407 435 4. The sale of agricultural machinery and especially of its spare parts needs supervision. Agents deliberately create scarcities during the period of greatest need so as to get the highest prices possible.

435 489 5. The system of transport from the combine to the stations needs complete revision. At the present time, farmers are obliged to use jute bags on the combines to fill with wheat. The bag is bought for LS 2 but is sold as wheat in Aleppo. Since the bag weighs 1.25 kilograms and the price of a kilogram of wheat is 26 piasters, the farmer gets less than 30 piasters for every 200 he invests in a bag. This means a loss of LS 14 per ton, without counting all the extra expense of handling on the combine, then on to the truck, then to the railway station, then on the railway and, lastly, discharging at Aleppo Station, then transporting by truck to the merchant's store. All this handling, necessitated by the use of jute bags is paid by the farmer to the amount of LS 4 per ton. Added to the loss on the bag it makes a total loss of LS 15. All this could be saved if transport could be so organized as to eliminate the need for jute bags.

435 656 6. The fluctuation and uncertainty of prices is a major obstacle to the continued progress of agriculture in Jazirah. The farmer who plants his seeds in October does not know whether he will sell his crop in July for ten piasters a kilo or for thirty. He lacks information on world prices and merchants take advantage of that and of the fact that he is constantly in need of money to buy a major share of the crop at low prices. But even if the farmer were informed about world markets, Government regulations constantly hamper the free opera-

operation of world trade in a way that has always worked to the detriment of the farmer. The Government has adopted and persists in the view that the farmers as a class are alone responsible for feeding the town population at reduced prices. The Government and its organizations like the O. C. P. and later the Mira have always forced the farmers to hand over large quantities of wheat at prices below the market level. Even the present Grains Office is doing the same thing in a different way. It stipulates that exporters of wheat should deliver to the Office half the quantity exported at 23 piasters per kilo in Aleppo, i. e., at a rate 25% cheaper than the market price. This reflects in the end on the price paid by the merchant to the farmer. This unjust imposition of the Office is in fact borne by the farmer and not by the merchant. If the Government feels its responsibility for the provision of enough wheat for the population at reduced prices, the burden should be shared by all tax-payers without distinction. The farmer should get the full market price and the deficit should be covered from the general tax receipts. This solution, while freeing the farmer from a chronic injustice, is not the answer to the price problems. Since the Grains Office has become [647] a permanent institution, the farmer needs to know as far in advance as practicable what prices he is to expect for his crops. The major function of the Office should be not to devise means for collecting wheat from the farmer at reduced prices, nor to provide revenue for the Government by creating a monopoly of wheat export, but to stabilize prices and guard the farmer against sharp fluctuations from one year to another. This it must do by announcing its readiness to buy wheat at fixed prices for the next two crops, at least without claiming a monopoly. That is, the farmer should be guaranteed a minimum price for his next two crops and left to profit from free prices if the market situation allows it.

A concrete example of how Government policy is reducing the prices for the farmer, is the new decree authorizing the export of 200,000 tons of wheat against delivery of 100,000 tons to the Grains Office at LS 230 in Aleppo.

The exporter will proceed to do his account, in the following manner. The price paid by Italy is said to be $98 which amounts to LS 350. For three tons of wheat of which two are exported and one delivered to the Grains Office, the merchant will receive LS 930 or an average of LS 310 per ton. In order to make a profit of

435 15 percent he must buy his wheat at the port of export for LS 203-5.
656 This means about LS 252 at Aleppo for the farmer of Jazirah. And this is the price at which the market is stabilized at present, while if this imposition did not exist the farmer would have sold his wheat for LS 300-350.

648 7. The discussion of prices brings about a consideration of mar-
488 kets for the surplus Syrian wheat. During the French Mandate, and up to March 1949, Syria and Lebanon formed one economic unit. The first independent regime under Shukri Quwatly, which lasted until the first coup d'etat in 1949, preserved this unity though some friction did exist between the two Governments. President Quwatly was emphatic about the necessity of this union. Then politicians mentioned to him the alleged advantages which Lebanon had over Syria in the partnership, he invariably replied that the benefit from the partnership to the national Arab idea transcends in importance any material disadvantage resulting to Syria.

But aside from this political consideration, the union did present specific advantages to the Syrian farmer. Lebanon imports yearly about 80,000 tons of wheat. This is approximately one-third the quantity exported by Syria. Further, Lebanon had a customs duty of 50 per cent on foreign wheat other than Syrian. This meant that the Syrian farmer was assured a market for part of his crop at prices higher than world prices, besides selling Lebanon cheese, samneh, vegetables and fruit.

Whatever the economic advantages according to Syria in its new policy of separation from Lebanon, and they are highly doubtful, the Syrian farmer has lost a sure market.

In fact, the question of economic separation between Syria and Lebanon has never been examined as a purely economic propositon, but has always been mixed with considerations of national prestige and alleged Syrian economic subservience to Lebanon. This highly emotional language was designed to confuse the issue for the benefit of industrial groups, especially textile manufacturers who were crowded by Lebanese competition.

435 8. Another misconception shared by the Government and most
439 of the people is that Syrian prices of wheat should be governed by world prices. The fact is that Jazirah wheat can never normally

III. Lands With Title Cover Only 30% of Jazirah

It should not be understood from the above discussion that all the lands of Jazirah are occupied by persons having title to them. Perhaps as much as 70% of the lands are occupied by persons claiming ownership but having no legal title. And here resides the great problem of Jazirah which continues to retard its development and prosperity. 428 185

There is nothing that can stabilize conditions in an agricultural society, increase confidence, improve credit, diversify the types of cultivation, increase property values, and encourage the improvement of land by long-term projects of irrigation and farm construction, like a secure and stable system of land ownership.

It is the misfortune of Jazirah that successive Governments since Syrian independence have not only ignored this basic fact, but have done everything in their power to make the stabilization of the land problem in Jazirah more remote.

Before the beginning of 1952 land registration in Jazirah suffered from all the delays, expenses, corruption, and hindrances prevalent in other parts of Syria. Moreover, as a frontier zone, land registration was subject to an authorization by the Chief of State, and in the last three years registration of land acquired through cultivation for a period of ten years was stopped by decision of the Council of Ministers.

The governing idea behind all these restrictions is that individuals are usurping the public domain illegally. While this may be true in some cases, the measures taken to correct the situation are out of proportion to the problem at hand and are applied not only to usurpers out to land owners of good faith as well. The result is that three-quarters of the lands of Jazirah belonging mostly to peasants and medium owners are unregistered.

IV. Decree-law 96

Decree-law 96 starts with this idea of correcting the usurpations of the public domain, and adds to it the concept of social justice as exemplified by the policy of encouraging small land holdings and dividing the large estates. 428 185 656

A. Contradictory Policies of the Government

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The decree is interesting in its application to Jazirah and it seems that the Government there follows two contradictory policies diametrically opposed and antagonistic to each other. On the one hand, decree No. 510, dated March 23, 1950, and decree No. 80, dated January 23, 1952, facilitate the importation and distribution of powerful agricultural machinery among the farmers in general and those in particular of Jazirah. The use of agricultural machinery goes hand-in-hand with the extensive cultivation of large areas of land to make their employment economic. On the other hand, and surprisingly, only eight days after the promulgation of the decree for the distribution of agricultural machinery, decree-law 90 dated January 31, 1952, prevents the farmer from owning or renting (in its interpretative communique) more than 1500 dunums in Jazirah an acreage which does not lend itself to economic tractor cultivation.

The decree has been in operation now for seven months and its application should have vindicated the two principles on which it depends, viz : to correct the usurpations of the public domain, and to divide the big estates among the needy farmers.

Assuming that the policy of the State is to encourage small ownership of land to be tilled by the farmer using cows or mules, and that the importation of heavy agricultural machinery was a mistake not to be repeated, the logical procedure by the Government would have been to establish simplified processes and register in the name of peasants pieces of 1500 dunums each to which they have a right both in the old and the new law. The Government has had ample time during these eight months to enforce its own decree-law and register tens of thousands of 1500 dunum pieces and give their users legal title to them. Had the Government done that, it would have found the problem greatly simplified. The Kurdish and Bedouin family has in general three to four adult members working on the common land. According to decree 96, each member has a right to 1500 dunums. The Government would have to grant them extra land to reach its quota.

B. Size of Land Holdings in Jazirah

The point is that, had the Government proceeded in this manner, the practical result would have been the stabilization and legalization of the present small and medium ownership.

This, according to the following table borrowed from Gib Report, page 20, would have legalized the situation in 57% of the Jazirah lands, leaving 9% as public domain, and only 34% not complying with the terms of the decree.

Small Holdings Less than 10 hectares	Medium Holdings 10-100 hectares	Large Holdings Over 100 hectares	State-Owned Lands
56,000	528,000	343,000	96,000
5%	52%	34%	9%

Instead, the Government's only contribution to the solution of the land problem was to prohibit entirely the registration of any land from January 1952 to the present time.

If the Gibb statistics are correct, and they are presumably taken from Government sources, the land reform in Jazirah contemplated by decree 96 concerns only 34% of the region's entire area.

In dealing with this portion of Jazirah, the Syrian Government has to decide on its agricultural policy. It must make up its mind whether it wants to divide the big estates, with or without compensation, and distribute them in small lots to farmer families using mules, thus increasing the population of Jazirah greatly, so that its production of wheat will not much exceed its local consumption, and depriving Syria of the income derived from its present yearly export. Alternatively it must decide that Syria wants to increase its exports of wheat by extending the use of agricultural machinery whose effective use requires holdings of more than 1,000 hectares.

Coming back to the discussion of the 34% of Jazirah lands in holdings of over 100 hectares, the Government should have proceeded immediately, after the promulgation of the law, to their surveying and delimitation to get a clear picture of the situation. Without venturing into exact statistics, the following description is to the point. It endeavors to show that excessive land ownership is limited to relatively few individuals and that the problem is better solved by the Government by considering each case on its merits. The problem of the Government is further facilitated because the tribal Sheiks claim that they hold the lands for their tribe and not for themselves. The Government should have asked the Sheiks to proceed to the distribution of these lands under its supervision.

423 The large holdings are owned by the Agha of Koshar around
47 Deirik, the Sheiks of Shammar from Tal Koshak to Kubur el Bid and south to the Rad, the Sheik of Tay and several of Tay subdivision chiefs, Asfar-Najjar family of Qamishli, the Aghas of the Kurdish tribes (three in number), and two Sheiks of the Jubur. This list is not exhaustive but it is true that not more than fifty individuals in Jazirah have holdings of more than 5,000 hectares each. And since the great majority of them are tribal chiefs, the logical solution is to ask them to distribute these lands according to the laws in force since the Ottoman rule. No new legislation is necessary to fulfill the two aims of distribution of the public domain to needy peasants and the division of the big estates.

Such a solution will not mean that every estate will be only 1500 dunums but it will mean that perhaps 80% of Jazirah will be in holdings approximating 1500 dunums and some 20% in holdings of 10,000-15,000 dunums for tractor cultivation.

C. Shortcomings of the Decree

423 The basic defect of decree 96 is that it erred in diagnosing
• 65 the real problem of land ownership in Syria. As the United Nations
433 Economic Survey Mission for the Middle East aptly described the situation (part I page 34). "In the Middle East, most of the population--perhaps as much as 90%--lives virtually on the margin of subsistence. But while maldistribution of income obstructs economic progress in a variety of ways, it is secondary to the basic problem in each country of grossly inadequate output in relation to the total population. This is the central fact of economic life in the Middle East." Thus the real problem facing the Government in Jazirah is not that a few people own large tracts of land (though some of them do and should be controlled), but whether the present type of cultivation is not working for a better national economy than small holdings will be able to do.

This criticism of decree 96 does not mean that land abuses do not exist in Jazirah. Undoubtedly they do. But it is a long way between admitting this and trying to correct it by dividing the land indiscriminately into 1500 dunum lots.

The shortcomings of decree law 96 are numerous and without discussing them in detail since the law is being amended, it is necessary to recognize some of them.

423 In the first place, the law amounts in fact to confiscation of property because it arbitrarily abolishes rights of individuals gained over the land through the normal processes of established law.

Secondly, it allows a uniform area for every farmer whether he uses tractor or mule, and whether he allows dry cultivation in Jazirah or irrigated farming in the Euphrates or the Khabur. It is evident that an irrigated area of 1500 dunums is more than adequate even for a large farmer while the same area is too small for tractor dry farming.

Thirdly, the confiscatory provisions of the law are not limited to lands recently acquired from the public domain, but cover lands for which deeds have been in the hands of the owners for decades. Decree 96 achieves this by reversing the stipulations of the preceding laws and by stating that in unsurveyed lands every title should be limited by the area mentioned in it and not by the boundaries.

Fourthly, if social justice is the aim, why should the law be limited to control of the ownership of land and not extended to control commercial and industrial property as well as real estate in cities and cash money? Further, how can the law treat on the same basis five hundred dunums planted to orchards or olive trees and a neighboring area of the same dimensions planted to wheat?

V. Land Ownership Along the Khabur

471 There is more concentration of land ownership along the Khabur that in theother parts of Jazirah, though the concentration is less apparent because the cultivable lands are smaller.

In the north, around Ras el Ain, the Shashan tribe dominated the country. South of them are the Assyrian holdings. Around Hassakeh, some Christians have bought lands from the Juburs, but south of the town and down to Shaddadah, the Jubur Chiefs of the Milhem family own or control both banks of the river. They own all the naqourahs and work their lands by renting it to the members of their tribe on conditions described in the next chapter. One hardly finds a Jubur who is not of the Milhem, or a stranger from inside Syria, who owns property in the Jubur region of the Khabur.

Lately, the Milhem have begun renting land to irrigation projects by pumps. But unlike the Kurds and Tay people of upper Jazirah, the Milhem have never agreed to enter into partnership for the ownership of land.

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656 435 A final comment must be made on price stabilization operations. At times in the past the government has intervened in the marketing of cereals in order to support the price or to protect the home market from the consequences of threatened shortages and excessive prices. Through the Cereals Office and its predecessor agencies it has engaged in buying and selling grain, and occasionally it has resorted to export prohibitions to safeguard domestic supplies. Under emergency conditions when the world supply of cereals is short, as in time of war or threat of war, such measures may be justified. Normally, however, it is better to allow the market forces free play. The history of government intervention in the market demonstrates that the government has often acted on the basis of information which subsequently proved erroneous in whole or in part. Frequently information on impending government measures has leaked out, giving windfall profits to privileged speculators. Above all, it is impossible in the long run to insulate the Syrian grain market from the world market. If there is a shortage in Syria and prices rise, some merchants will quickly seize the opportunity to import grain, and if world market prices decline, Syrian prices will inevitably have to follow if exports are not to be lost. On the whole it would be far better for the government to concentrate on the task of improving its crop statistics and to publish frequent and more reliable information on production and prices for the guidance of farmers and merchants. If emergency conditions arise, it will always be possible to authorize government intervention by special decree.

Projected Expenditures

654 241 231 We can now recapitulate the government expenditures in the field of agriculture and animal husbandry which are envisaged over the six years up to the end of 1960. Total projected outlays amount to around £S 336 million, or about £S 56 million per year. This represents a very substantial increase over expenditures in recent years which the mission has found difficult to ascertain but which probably have not averaged much more than £S 11 million a year.

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would not only provide an incentive to the transfer of small manufacturing shops and enterprises from the center of the city, but might well incidentally stimulate new investment in modernization of their equipment. In this connection it is significant that the removal of tanneries from the center of Damascus to a special industrial zone has in fact been attended by the installation of a considerable amount of new machinery and a substantial improvement in working conditions. While it is possible that private enterprise might become interested in the establishment of such industrial zones and shops in cooperation with the municipalities, we have made allowance in our proposed development program for the expenditure of £S 1.8 million by the central government for this purpose.

In the expansion of new industry the question arises whether the government should exercise any control over the establishment of new enterprises or additions to existing plants. By instituting a licensing system in 1952 the government has in principle already assumed such powers. While they have apparently not been exercised in a restrictive fashion, we strongly doubt that any government under normal economic conditions should even assume such authority. Private enterprise will ordinarily better be able to determine the wisdom of proceeding with a particular venture than civil servants inexperienced in business. There may be special cases where excess capacity is so serious as to warrant government intervention but even then great caution is necessary lest the restriction of competition in the development of industry impair the possibility of attaining greater efficiency.

With respect to working conditions, the mission has a few observations. Syria has a rather liberal labor code for industry, limiting the working week to 48 hours, prohibiting the employment of children under 12 years of age and containing stipulations regarding dismissal and death benefits and maternity and sick leave. Minimum wages are also set by regional wage boards. In the larger factories visited by the mission working conditions appeared for the most part satisfactory. In a number of plants, however, we observed a lack of safety precautions, notably inadequate protection of workers from the danger of moving parts and of dust and humidity. This problem calls for attention. Another deficiency is the lack of thorough enforcement of the labor code. The degree of compliance in the larger factories is not unsatisfactory. In the smaller factories and shops, however, enforcement is inadequate or virtually non-existent. While we do not suggest that the provisions of the labor code could be enforced in all of the small enterprises, we do recommend that some attempt be made

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439 the Eastern Mediterranean seaboard and on the one hand, Iraq, on the
487 other, Jordan, given the boycott of Israel.

In neither of these trade routes has Syria a monopoly. Iraq, which at present is moving about 100,000 tons of goods through northern Syria by way of the Northern Railway and unspecified quantities of goods through the desert road and Damascus, has the choice of directing these commodities to Turkish, Syrian or Lebanese port terminals. If transport to the Mediterranean ports should prove too expensive or cumbersome, Basra (Iraq) will be used even for the northern provinces of Iraq. Jordan can shift more of its trade to Aqaba and there are indications that this may happen.

In these circumstances, it is clearly in the interests of Syria to make transit through Syria attractive and profitable; it would be ill advised to sacrifice the long-term interest in transit trade to doubtful immediate gains. From that standpoint, it seems rather short-sighted to require that most goods to and from Jordan be moved by rail, irrespective of the wishes and interests of the shippers, and that goods moved from Beirut to Iraq across the desert must first be reloaded into Syrian trucks.[1] It is also inconsistent with the efforts to develop free trade zones in Syria and to encourage the use of Latakia for transit.

III FOREIGN TRADE POLICIES

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681 *Licensing*
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Exports. The government may impose restrictions on the exports of specific goods, including a license requirement. As of the beginning of 1954 exports of some 30 items in the tariff schedule, including various types of metals, glycerine, sulphur, fertilizers, jute cloth and sacks, and lambs, were prohibited, and the country's most important exports, (wheat, barley, flour, cotton and cottonseed, wool, sheep and certain types of cattle) were subject to license. Trade with Israel is prohibited.

These export restrictions were instituted for various reasons—to safeguard domestic supplies and to control the re-export of imported items, particularly those of strategic importance. Other regulations are designed

[1] The total volume of Syria's transit trade is presently estimated at 300,000–400,000 tons annually.

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to safeguard quality. Among efforts aiming at improving and standardizing the quality of exported cereals the following may be mentioned: in May 1954 the Ministry of National Economy submitted for study to the Chambers of Commerce, Industry and Agriculture a proposed order which would require cereal exports to be accompanied by certificates as to their weight, degree of impurity and humidity. To the best of the mission's knowledge, these certificates are to be issued by reputable firms, specializing in this kind of job and cooperating with similar firms in the importing countries. This seems to be an excellent project and we recommend that it be carried out.

Several of the chief export products, such as cotton, wheat, barley, lentils, vetch, wool and hides, can be exported only through Latakia, with exceptions provided for the southern and central provinces.

Imports. Unlike exports, all imports must in principle be licensed. The only exceptions are personal effects of travellers, gifts and commercial samples up to a certain value, gold, certain commercial imports not exceeding £S 200 in value carried by travellers, and some articles imported directly across the frontier into the Jezireh and Euphrates provinces. It should be pointed out, however, that import licenses are freely issued, except with respect to items on the proscribed list.

Certain products, such as sugar, cement, timber, iron and asphalt, can be imported only through the port of Latakia, although the regulations in this respect are rather flexible and in general do not direct through Latakia a significant amount of trade that would not otherwise have gone through this port.

Trade and Payments Agreements

Bilateral. Since its independence, Syria has concluded several trade agreements, about half of which are with the principal countries of the Arab League (Saudi Arabia, Egypt, Iraq, Jordan and Lebanon). Agreements were also concluded with Greece, India, Japan, Yugoslavia and Czechoslovakia and a payments agreement has been made with France. Some of the trade agreements simply formalize existing trade relations. The most-favored-nation clause is included in nearly all agreements. In the Japanese agreement, however, it was instead provided that both partners might, when necessary, take measures to protect the production of their local industries.

Provisions relating to the volume of exchange are incorporated into the

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more pronounced and systematic. The regulations regarding the licensing of imports were more strictly applied. The normal tariff on glass was raised to 70% and on various sorts of soap to 40% or 50%. The export of a large number of important raw materials, raw cotton, cotton seed, oil cakes, raw wool, all fruits and vegetables, was subjected to licensing. Shoes and boots were added to the embargo list. Although the embargo on "job lot cloth" was strongly protested, it was not lifted, and instead it was extended to second-hand cotton and silk clothing.

The year 1952 was characterized by a policy of rigorous industrial protectionism. The Minister of National Economy, given almost discretionary power to institute export and import embargoes and licensing requirements, used these powers with little restraint, particularly as to import embargoes, which were imposed on four principal categories of imports: (1) goods locally produced in quantity adequate to meet domestic requirement; (2) goods for which similar local products could be substituted; (3) luxury goods; and (4) machinery which would increase the capacity of an already overequipped industry.

The restrictions and controls on exports were somewhat extended and a de facto monopoly was established with regard to import, export and wholesale trading of sugar.

These measures of extreme protectionism, supplemented by a stricter enforcement of the control on the utilization of foreign exchange by importers and various other measures which will be discussed later, made it possible for many months to charge local customers relatively high prices, compared to those prevailing in the surrounding markets, and to make substantial profits. It also facilitated agreements among manufacturers in defense of their common interests and to reduce internal competition. Complaints from those whose interests were particularly affected and a more general dissatisfaction created by a rise in the cost of living induced the government to take steps to reduce prices. Acting under general legislation enacted in 1951, and specific legislation with respect to sugar and cement, the government fixed lower prices for goods such as cement, yarns and vegetable oils and reduced the tax on sugar.

However, it was thought even in government circles that the import prohibitions had gone too far. Not only was the cost of living increasing but the income from customs duties began to drop, and smuggling and evasion of price-fixing rules became a most profitable activity. In April 1953 action of the Minister of National Economy with respect to imports

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and exports was subjected to the approval of the Council of Ministers. This was followed by the withdrawal of embargoes on various non-competitive imports, higher tariffs being substituted in some cases.

As of autumn 1954 all embargoes on imported goods which directly compete with national products were still in effect, with the exception of the embargo on men's shirts, underwear and pyjamas. Imports of cotton gins are forbidden, to prevent further overexpansion of the ginning industry, and the importation of second-hand looms and knitting machines is prohibited, to ensure the installation of new and modern machinery; importation of almost all items, including machinery, is still subject to licensing. There has been almost no change in the list of prohibited exports or of those which must be licensed. Although the export tax on wheat has been repealed, cotton exports are still taxed; there were certainly good financial reasons for this, but it means in fact a continuation of the element of protection which this duty represents, in favor of the local cotton processing industry. On the other hand, products subject to an embargo or high protective duties are no longer subject to price control. The government is now relying on the effect of internal competition.

Credit Facilities

During the mandate, in 1929, the Syrian Government instructed the Minister of Commerce and Agriculture to establish an industrial bank with a capital of £S 500,000, in which the government was to participate; this was never done.[5]

Not until 20 years later, in June 1949, was the Minister of Finance authorized to guarantee loans to Syrian industrial corporations (*sociétés par actions*) for their first installation or to enable them to continue operations. The amount to be reimbursed under the guarantee could not exceed half the paid-up capital of the corporation and the period of repayment was not to be longer than three years. Eligibility of applicants, their needs and the conditions of both loan and guarantee were to be determined by a special committee; the Minister of Finance was authorized to require a mortgage on the property of the corporation, the mortgage to have preferred position.

Of the 18 loans totalling £S 23.627 million made by January 1952,

[5] *Le Rôle du Crédit dans le Développement Economique de la Syrie*. Moh. Thome, Madrid, 1953, p. 157.

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imported for the requirements of the enterprises; the industries and the imports as well as the quantities benefitting from this provision are determined by the Council of Ministers on the recommendation of the Ministry of National Economy;

2. exemption for six years from the tax on income from real property, for new construction in factories, administrative buildings and housing for workers and employees connected with the establishment, and industrial machines and equipment housed in these installations; the existing two-year exemption of new factories and workshops was extended for the same six-year period;

3. exemption from income tax for reserves up to 10% of annual profits, devoted within two years to the further expansion of the industrial establishment;

4. exemption from the "temettu" tax for six years from the beginning of operation; and

5. exemption from the income tax for three years from the beginning of operation in the case of industries needed by Syria or which had not been established there on the specified date.

These privileges are also applicable to additions to existing factories and industrial plants. On the other hand, an industrial establishment which suspends operations for more than a year and a half without an excuse accepted by the Ministry of National Economy loses its exemptions.

Proprietors of beneficiary industrial establishments must, among other things, furnish complete information and accounts of their enterprises, and must use the machines, equipment and construction materials which qualify their enterprises for the exemptions.

The granting of the privileges under (1) and (5) calls for a decision of the government, which can be based on the preceding appraisal of the project as required under the law on the regulation of industry, discussed in the following paragraph. The other privileges are extended automatically.

Other Controls and Incentives

The registration of industry. Following the opening of a general public register of manufacturing enterprises in 1949, a 1951 decree introduced a system of special registers for every local industry. Anyone starting an industrial establishment in Syria must present within one month

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456 433 after beginning operations to the Directorate of Industry of the Ministry of National Economy or its local representative in the mohafazat, information on (a) the legal status of the establishment, its address and that of its main office; (b) the goods it produces; (c) the nature, number and power of its motors; (d) the nature, number and capacity of its productive equipment; (e) the number of working hours per day and week; (f) the number of workers employed; and (g) all other information which the Ministry may require. All industrial enterprises established at the time were required to register within three months. Every change or modification taking place in the stated data has to be indicated within one month.

The mission was informed that the registration has encountered considerable difficulties because of a wide-spread reluctance to disclose to the authorities the required data, even though they are confidential and for statistical purposes only. As a result the statistics based on the registration are not considered to be fully reliable.

The regulation of industry. The year 1952, when protectionism reached its peak, also brought a thorough regulation of industrial enterprises, as such, with a view to orienting industrial activity toward the needs and interest of the country.

The establishment of any form of industrial enterprise is subject to licensing.[7] The applicant is required to submit a detailed report on his project covering (a) the name, nationality and residence of the owner; (b) the type and location of the proposed establishment; (c) the capital to be devoted to the enterprise; (d) the type, number and power of the proposed machines and their capacity; (e) the number of employees and workers; (f) the study made by the applicant underlying his decision to establish the enterprise; and (g) any other information required by the Ministry. Owners of industrial enterprises who wish to expand their establishments either by adding to the machine park or by extending their operations to other lines of production must also obtain a license. Industrial establishments in existence when the decree was issued are considered to be authorized, but have to obtain a certificate of registration from the Ministry of National Economy within six months, or thereafter apply for a license.

No detailed information is available on the manner in which the regulations are applied or as to the principles governing the decisions of the

[7] Corporations (*sociétés anonymes*) require a special authorization by the Ministry of National Economy.

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authorities. The mission was informed, however, that practically every handicraft application for an industrial license is approved. With regard to industry proper, applications have been turned down for various reasons. The main criteria seem to be whether the local market can absorb the additional production and whether the new or expanded industry can be expected to increase exports, especially to the Arab countries.

Facilities with regard to industrial sites. By the decree on the encouragement of industry, the government opened facilities for settlement on state domain land. The proprietor of an industrial establishment who wishes to construct a building for industrial exploitation may rent up to 25,000 square meters with a five-year option to purchase land belonging to state domain, on conditions to be determined by the Directorate of State Domain. The beneficiary is not allowed to sell or utilize this land for non-industrial purposes and the State may recover ownership of land not used for industrial construction or expansion within five years.

These provisions represent a real contribution to a reduction of the cost of establishing new industrial enterprises and to the better siting of existing ones.

Export promotion. The laws on the regulation and the encouragement of industry contain several provisions, already mentioned, which permit the authorities in their discretion to grant certain privileges and other facilities to industrial enterprises in the interest of the national economy. We understand that the authorities have several more specific objectives in mind, including the promotion of industrial exports.

Besides these measures, which have been in existence for only two years, the Syrian Government has for several years been actively engaged in negotiating foreign trade agreements with Arab and other countries[8] with a view to promoting exports generally. Since gaining its independence Syria has made commercial agreements with Saudi Arabia, Egypt, Jordan and Lebanon among the Arab countries, and with India, Greece, Czechoslovakia, Yugoslavia and Japan. Several of these treaties include special privileges for Syrian industrial exports, either assuring them most-favored-nation treatment or exempting specific Syrian products from import restrictions or allowing them tariff reductions or exemptions. Agreements in 1953 with Lebanon and Jordan exempt some local industrial products from customs duties or apply reduced tariffs, and provide

[8] Formerly, under the mandate, commercial treaties could be concluded only with neighboring countries and countries not members of the League of Nations.

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654 for the exchange of other industrial products subject to ordinary duties.
433 The inter-Arab economic agreements of September 9, 1953, between Leba-
439 non, Syria, Jordan, Egypt and Iraq, list a considerable number of industrial products to which a tariff rate of 25% of the normal tariff of these countries will be applied. But they do not exempt trade among the signatory countries from existing import and export licenses and embargoes, nor do they rule out the institution of new ones. Only in the special commercial agreements between Syria and Jordan, and Syria and Lebanon, are certain industrial products, originating in these countries, exempt from all import restrictions.

IV AN APPRAISAL OF THE GOVERNMENT'S POLICY TOWARDS INDUSTRY

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A country like Syria, with a preponderantly agrarian economy, no important mineral deposits and little power resources, still rather underdeveloped from the point of view of national income per capita and the dissemination of technical skills, is likely to have a natural advantage in the following branches of mechanized industrial production: (1) the processing—at least up to a certain stage—of indigenous crops which are exported; (2) the production of building materials and other bulky goods for local needs; (3) the manufacture in light industries of commodities for general consumption and some durable goods to meet a more or less special national or regional requirement, even with imported raw materials; (4) the production of simple tools and the repair (eventually the assembly) of locally used machines; and (5) the semi-handicraft production of some luxury goods requiring those special skills for which the country has traditionally been well known. These are in fact the main fields on which modern Syria's industry has concentrated and there is nothing fundamentally unsound about this.

On the other hand, it could not have been expected that the progress made in the period of relative isolation followed by the postwar boom would make Syria proof against the competition of long established and highly efficient foreign concerns, quite apart from the dumping of cheap surplus stocks and large imports of modern machine-made luxury goods with which it was confronted by the end of the forties. The customs tariff of the Syrian-Lebanese Union offered only a modest protection for local

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industry. It is not surprising that the exposure to strong foreign competition created a serious situation for various new industrial enterprises, or that the government began to give industry greater protection and encouragement. It appears, however, that since the middle of 1951 government policy toward industry, particularly—but not only—in the field of foreign trade, has tended more and more toward the aim of national self-sufficiency in products which can be locally manufactured rather than toward development in an international economy. We think that the former opens definitely less perspective both for a rise in the standard of living and for the future of Syrian industry itself. Therefore we recommend a reconsideration of the policy and the measures under discussion.

The priority given to national self-sufficiency has resulted in extensive public control over industry. The Syrian home market is relatively small and it has already been pointed out that several industries have reached a productive capacity which meets or even surpasses the effective domestic demand. The measures of "restriction" and "reservation" tend to make Syrian industry dependent on internal controls which are very difficult to administer and carry the danger of submitting the government to pressure groups. The exclusion of foreign competition which frequently accompanies this policy weakens the stimulus to increased efficiency and lower costs, to the detriment of the consumer and the competitive position of Syrian industry in the outside markets. Internal competition, even if it remains free, can only be a poor substitute, being affected by internal cost factors and their elasticity in a protected economy.

The mission feels that industrial policy should be reoriented toward freer, rather than centrally controlled and protected development, with a view to achieving further progress in an international economy. Only thus will Syrian industry become a supplier of manufactured goods of satisfactory quality at reasonable prices, able to expand beyond the limits set by the internal market and to earn foreign exchange by the value it adds to indigenous and imported materials.

The reorientation which we have in mind does not require the government to withdraw all regulation, protection or other encouragement of industrial enterprise, leaving free competition and international prices to organize and guide Syrian industrial production. Even in more advanced countries, with a much more diversified and stronger economy, such a policy is now rarely applied. Infant industry protection, as a means of assisting well-chosen industries to overcome temporary disadvantages and

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456 433 allowing them time to build up an international competitive position, has long been considered a legitimate instrument of economic development. Even well-established industries may require a certain safeguarding against specific forms of internal and foreign competition which do not make for sound and resistant economies with a sufficiently diversified economic and social structure. On the other hand, making due allowance for social and cultural considerations, industrialization should not be an objective in itself to be pursued irrespective of its economic cost to the national community, or without regard to its impact on the subtle balance between economic freedom and economic control.

On the basis of these general considerations the mission makes the following more specific comments on the government's present policy towards industry.

The registration of industry. Up-to-date and reliable information on the structure and operation of industry for statistical purposes is indispensable as a source of instruction and a means of guiding important decisions for the business community itself as well as for the government. In Syria there were until recently no industrial statistics, and the government deserves credit for having tried to remedy this deficiency.

The extensive procedure instituted by the 1951 law, however, is difficult for industrialists to accept, overestimates the capacity of the administration responsible for its execution and seems to fall short of reaching the objective. The relations between government and industry in this regard would be better served and a more fruitful cooperation could probably be expected if the information were to be filed with, elaborated and made available by the Central Bureau of Statistics in a form which does not disclose individual data even to the Ministry of National Economy. The Bureau should enjoy a large amount of autonomy and be so organized and equipped as to win the full confidence of both the government and the business world. Such a system exists and operates very satisfactorily in many other countries and the mission recommends that Syria draw on their experience.

This does not mean that if a particular industry or industrial enterprise requires special government assistance or control, it should not provide the responsible authorities with all the information which they may require.

With regard to the statistics concerning industry, which are particularly necessary, a distinction can be made between those requiring current

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information (e.g., industrial output, raw materials consumed, workers employed, the amounts invested and their sources (internally or externally financed)), and such data as the number and size of establishments, their capacities, their technical and financial structures, and their organization within the framework of existing legislation. It is suggested that it is not equally essential that the latter data should be available annually and it should be sufficient to require their collection and elaboration every few years only. The mission recommends that such a distinction be made, that those statistics which have a direct bearing on policy decisions be given priority and the reliability of statistical information be given more weight than its extensiveness.

The regulation of industry. Although special conditions, such as rapidly changing techniques and market conditions, sometimes necessitate limitations on freedom of industrial establishment and industrial investment, if the benefits accruing from actual achievements are not to be offset by high costs from a social point of view, the mission is of the opinion that under present conditions freedom of enterprise should be the rule and regulation the exception. Before industrial licensing was introduced Syrian industry had, generally speaking, done a reasonably good job and shown a considerable degree of sound initiative, fair judgment and flexibility. It is true that in certain branches there had been overexpansion and mismanagement, but under a system of private enterprise such things cannot altogether be avoided. The danger is great, on the other hand, that the licensing decree will reduce initiative by substituting far-reaching control on establishment and expansion by public officials, devoted and faithful as they may be, for decisions by risk-bearing private entrepreneurs. Moreover, quite apart from the advisability of such a policy, it is doubtful whether the government has the experience necessary for judicious control of the entire field of Syrian industrial enterprise and regulation of all industrial investment activities according to the needs and interests of the country.

The mission therefore recommends a return to the principle of freedom of industrial enterprise and that the licensing of new industrial establishments and the control of industrial investments be limited to special cases[9] in which the public interest requires such exceptional provisions. Furthermore, such provisions should be temporary, permitting periodic re-examination of the need to continue them. It is also suggested that before deciding

[9] Such as excessive over-capacity which would perpetuate itself even under free competition.

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656 on the introduction or continuation of these measures with regard to a 433 branch of industry the government take the advice of a standing commission in which, besides various occupational groups, independent economic experts would ensure a well-balanced opinion with due consideration of all the aspects involved. Finally, it seems desirable that decisions on the issuance and cancellation of licenses by the Ministry of National Economy should be governed as much as possible by general and public directives applied without discrimination.

654 *The encouragement of industry.* In many underdeveloped countries 433 it is believed that acceleration of economic progress demands at least a shift in emphasis from primary production in favor of basic and manufacturing industry, to lessen dependence upon the already developed countries. When private initiative seems to be insufficiently vigorous, it sometimes happens that the government takes the lead by establishing publicly financed state factories and other state economic enterprises. This was done in Turkey, for instance.

The Syrian government has, however, taken a different course. Although it nationalized the foreign-owned public utilities it did not, except in one ill-fated case, itself enter the field of industrial operations by establishing factories. Instead, in various ways it encouraged private industrial enterprise, which, after all, had demonstrated its energy in promoting industrialization. Moreover, most of these measures, particularly those aimed at stimulating new industrial establishments and expansion of existing ones, were introduced only when industrial development began to show signs of stagnation during 1952.

The mission takes a favorable view of the basic principle of Legislative Decree No. 103 of 1952. In many countries at an early stage of development, a considerable and often disproportionate part of national savings tends to be invested in residential real estate or to flow into commercial or financial enterprise. Under such circumstances special incentives to induce a larger portion to be invested in industry, where they would probably make a greater contribution to the productivity of the economy, are certainly justified. We have no special comment with regard to the provisions for industrial sites. With respect to the fiscal privileges, however, we have some specific recommendations.

It seems reasonable for an underdeveloped country to exempt from customs duty imports of machinery, tools, equipment and construction materials not locally produced. In Syria decisions as to the industries and

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652 433 total which reasonable expectations indicate can be raised. In the Main Report we have suggested capitalization of £S 30 million, and suggested the respective ratio of government and private capital.

The cost of necessary managerial and technical staff might run up to £S 300,000 per year and other costs might rise to the same figure with an increase in the volume of business. Possibly half of the cost of the technical staff might in the long run be recouped from fees for technical services. To economize on operating costs it would be advisable to have the commercial banks act as the bank's agents in receiving applications for loans and disbursing and servicing loans in return for a small commission.

654 439 651 *Tariff policy and embargoes.* It is far from clear that the trend toward almost complete protection of industry from the impact of foreign competition, qualified to only a limited extent by certain provisions of various commercial agreements, has reached its limits.

We have previously recommended reconsideration of this policy. Protection of many industries has gone too far in the direction of national isolation; the balance should be restored by giving more weight to international integration. Liberalization of external trade should be one of the items on Syria's economic program.

In making this suggestion the mission is mindful of the fact that Syria's balance of payments position is not very strong and that the condition of the country's gold and foreign exchange reserves obliges the government to proceed with caution. Yet, as long as internal monetary equilibrium is preserved and the foreign exchange policy remains sound, the significance of these limitations ought not to be exaggerated.

We do not recommend immediate termination of the system of licensing imports since it enables the authorities to register at an early date the expected inflow of foreign goods. This may be considered a legitimate precaution, especially if the restriction of licenses is reserved to times when the balance of payments position is endangered. Under licensing, however, discrimination among imports is unavoidable. It should be realized that the need for such a measure indicates that there is something fundamentally wrong with the factors which determine external equilibrium; rather than continuously applying the palliative of direct import restrictions, Syria should try to remedy this situation. Even if direct import restrictions are temporarily unavoidable, they should not preclude remedial action; on the contrary, they should as far as possible contribute to bringing about an improvement in the basic conditions.

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The licensing of certain local raw material exports in order to give preference to the home market can have several objectives. If its purpose is to permit the local consumer to purchase the raw materials at prices lower than those at which they can be sold in foreign markets, it deprives the suppliers of a price differential; this is difficult to justify. But to a large extent the measure appears to have been inspired by the consideration that many Syrian industrial enterprises lack sufficient working capital and credit facilities to enable them to finance large seasonal raw materials purchases. In that case, the objective would then be to assist local industry in overcoming a competitive handicap, as against financially stronger foreign buyers, by temporarily restricting local raw material exports, without primarily intending to create a preferential price. There may also have been a desire to protect the local raw material suppliers from being forced, for liquidity reasons, to sell out at whatever prices they could obtain at the earliest time, thus endangering steady employment in the local processing industries. If these are the purposes of the licensing measures, provision of adequate storage and credit facilities for both local consumers and suppliers would make such licensing less urgent or even superfluous. Various of our recommendations relate to such facilities, and we suggest that if and when these are adopted the system of export licensing should be discontinued.

The mission has considerable objection to the imposition of embargoes. Import embargoes tend to prevent direct foreign influence on the local prices and qualities of the commodities involved. All the arguments previously advanced against an overstressing of the concept of development in isolation as opposed to development in an international economy apply here. Granted that Syrian industry needs some protection, the mission believes that such stringent measures are not called for, especially since they make it impossible for enterprise and consumers to purchase the particular foreign goods however urgently they may need or want them.

In a limited number of cases the government itself has already substituted higher tariffs for embargoes. Unless such duties are completely prohibitive, this means in principle a reintroduction of international competition, even though in a limited form. The mission considers this a step in the right direction and recommends a total abolition of the remaining import embargoes, even if accompanied by an upward revision of the relevant tariff rates.

With respect to the embargoes on exports the mission does not believe

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that the supply of the materials covered by this measure would be seriously endangered if their export were permitted, particularly if the industrialists were given free access to the international raw material markets.

At the time of the termination of the economic union, Syria's tariff structure was rather simple, with little diversification in rates. For most industrial products, excluding primary materials or semi-finished goods essential for local industry, the normal tariff rates (specific and ad valorem) approximated 25%. Since then, even in those instances in which the tariff was raised, the ad valorem duties, at least those expressed in a percentage of free rate prices, are still under 35%, exclusive of the consumption tax on imported goods. Only a few specific duties exceed that level.

Elsewhere in this report the mission recommends that for fiscal reasons the valuation of imported goods at the fictitious official rate prices be replaced by a tariff based on actual free rate prices, and that at the same time the entire schedule of tariff duties, both ad valorem and specific, be subjected to a careful re-examination governed by both revenue and economic considerations. This would undoubtedly result in a more diversified tariff. Certain rates, for instance on some semi-finished and finished goods, would have to be lowered; others could remain as they are. To the extent that duties must remain protective in nature (for infant industries or those subjected to foreign dumping practices), they should not be so high as to safeguard local industries from all foreign competition and thereby weaken the incentive to lowering costs. Moreover, due attention should be given not only to the interests of the producers of the "protected goods", including the industrial workers, but also to the interests of the local consumer, be it a further processing industry or the consuming public. The mission has the definite impression that with respect to the protectionist measures the voice of the industries demanding them has in many cases prevailed over the voice of the other interested groups. It is therefore recommended that in revising the tariff the government should take a broader view than it has done hitherto and pay more attention to keeping the cost of industrial necessities down for the large majority of the population.

We have mentioned that the decisions of the Minister of National Economy to impose a licensing requirement and embargoes on imports and exports now require the approval of the Council of Ministers. If the government follows the mission's recommendations, the administration of

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industrial protection through measures affecting foreign trade would be largely the responsibility of the Minister of Finance. We therefore suggest some procedure to assure that the Minister of National Economy also has some responsibility in this connection insofar as the interests under his jurisdiction are involved. It would also seem desirable that the Council of Ministers continue to exercise its ultimate control over measures of this character so that possible conflicting considerations may be resolved in terms of the public interest in its broadest sense.

Export promotion. The priority given by the Syrian government to attaining national self-sufficiency with regard to industrial products which can be locally manufactured has been combined with a growing effort to open up additional markets for Syrian industry, particularly in the other Near Eastern countries. Syria's execution of several bilateral trade agreements and participation in the inter-Arab economic agreement aiming at liberalizing mutual trade exchange are undoubtedly steps in the right direction. The possibilities for further industrial export promotion, however, are not being fully exploited.

First, the mission recommends that Syrian export industries be given every possible assistance in the procurement of foreign raw and auxiliary materials without fiscal charges, specifically that they be given a full rebate of such charges commensurate with actual exports, and that the system of rebates be so administered that the rebate can be quickly and easily obtained.

Secondly, it is recommended that the policy of negotiating bilateral trade agreements with Syria's main commercial partners be systematically pursued. The considerable increase in recent years in exports of silk and artificial silk cloth, knitwear and other articles of clothing and soap, particularly to the markets of Jordan and Iraq, indicates that there are industrial export possibilities worth while consolidating and expanding.

Thirdly, it is suggested that Syria which, so far as is known, lacks natural oil deposits, has an even greater interest than its oil-producing neighbors in the creation, on a multilateral basis, of a market among the countries of the Arab League; the amount of purchasing power generated by these other countries would contribute far more to the joint total than would Syria's contribution. It therefore seems to be particularly in Syria's interest to promote further inter-Arab economic integration. If this could be achieved, conditions would also become more favorable for the re-establishment of the economic union with Lebanon.

3:Royal Institute of International Affairs U-4 (no date)1954 M1 Middle East
LEBANON MEI
SYRIA MDI

In neither country is there an officer caste or a strong military tradition, though the present Syrian regime is trying to create one.

Social Survey

The ruling class in both countries is drawn from wealthy families; titles do not exist and the 'old' rich families, whose position and wealth come from land, mix freely with the 'new' rich families, whose money comes from commerce. There is no stigma in engaging in trade and even members of the upper class are merchants. A middle class of functionaries and employees has been growing up since 1948 in the three main cities. Their flats, between the splendour of the rich quarter and the huddle of the *suq*, are being built in quantities and their new, middle-class way of life is based on European standards. The mass of the people are artisans and labourers. The urban artisan approaches the middle class and the rural labourer approaches the hard life of the nomad; for the farm labourer the standard of living is generally low.

The Press

The press of both countries is important but no one paper or group of papers has established an ascendancy. Damascus had at one time over twenty daily papers none of which could guarantee a circulation of over 3,000. The same state of affairs holds true in Beirut where most parties issue Arabic and in some cases French papers; there are also Armenian newspapers and one English daily.

Individual Lebanese have founded papers and *Le Commerce du Levant*, published in Beirut, has a standing comparable with *La Bourse Egyptienne*. In both countries press censorship has frequently closed down a paper only for it to re-emerge under another name, and in Syria the military dictatorship has reduced the press to a mere mouthpiece of official propaganda.

Education

In both countries there are primary and secondary schools, and the number of schools and students increase each year. Primary education is compulsory, and although reliable figures of literacy are not available,[1] it may be assumed that the percentage of illiterates is decreasing in both countries, but is higher in Syria than in Lebanon. In Syria, most of the schools are run by the state and of the private schools (which are

[1] An estimate for Syria for 1947 given in UN, Dept. of Social Affairs, *Preliminary Report on the World Social Situation*, 1952, was 40–50 per cent.

25: Wantner S-5 (no date) 1948 MI Middle East
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the land. In 1926–31, 182 villages comprising 181,000 hectares were colonized in small properties by 6,000 families. The Government of Latakia compelled large proprietors in the region of Homs to give up their villages in the district of Masyaf in 1929; the land was distributed among the occupying peasants and sold to them at a price to be paid for in ten annual instalments. The village of Jib Ramle was also settled in 1929, in part by occupying peasants, in part by refugee Armenians.

But the French administration did not complete the settlement of these areas. In some regions the Turks settled these lands with nomad tribes, who were themselves averse to cultivation and either rented the land to Alawi villagers or continued to live themselves as nomads on the land without cultivating much of it. Consequently this land is now very sparsely settled. Round Homs there are said to be 2,000 to 4,000 hectares with only 10 per cent of the land cultivated: this is some of the most fertile and best situated land in the country, and could be developed by colonization schemes.

In several respects the French authorities have modified the Turkish system in ways which strengthen the landowners against the cultivators. One of these was the sale of the extensive *Waqf* properties to business enterprises, irrigation concessions, or landowners. Another was the abrogation of the right of ownership acquired by ten years cultivation which benefited the small cultivators in enabling them to acquire new land.

Efforts were made to start co-operative and agricultural credit banks, but these never succeeded in breaking the peasant's indebtedness. Several large-scale irrigation schemes were started, but produced more water than could be used. The educational system did not extend to the villages. Within the framework of the existing system, these reforms did little to raise the standard of the peasants. As a mandatory Power the French relied on the collaboration of the wealthy upper class, that is, on the landowners, and so could make no fundamental reforms in the land system.

POSSIBILITIES OF DEVELOPMENT

So far as dry land farming is concerned the possibilities of improvement are hampered by the dry summer, which necessitates a long period of fallow. However, it would be possible by

29:Dunn S-4 (1952)1952 MI Middle East
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COTTON IN THE MIDDLE EAST

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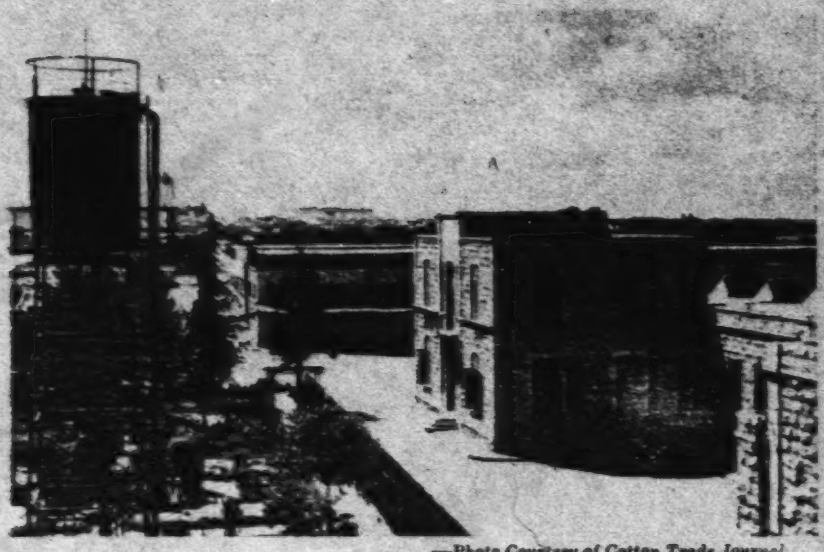

—Photo Courtesy of Cotton Trade Journal

All the cotton in the Aleppo region is ginned at this modern ginning center in Aleppo. Large gins (some have 10 saw gin stands) are located or are under construction on each corner of the square. Buildings are elaborate and usually cost about twice as much as the machinery. The grounds are landscaped like a campus.

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inhabited for centuries until a few years ago when farmers from the cities began developing them with mechanical equipment. Large landlords from Aleppo spent millions of dollars installing pumps, building roads, and in other ways developing these lands.

Although occupancy rights have been recognized for years, various government officials with whom the matter was discussed were strong in their views that these newcomers are squatters and should be evicted. They want to distribute the land among the landless peasants. The landlords who have made investments here are just as determined that they will not be evicted. The political strength of the landlords is given generally as the reason for the statement recently made by the head of the government to the effect that the new law will be studied for revision.

While the question of eviction is being debated, the government is proceeding to parcel out other public domains in small units to landless peasants. As this program is expanded, the large landowners are becoming more and more concerned for fear their own properties will be expropriated and subdivided, as has been done in neighboring countries.

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This dispute over the use of public land illustrates the struggle for power going on in Syria today between government bureaucrats and wealthy landlords. The government on one hand is attempting to force changes in all phases of the economy through its various control programs. These changes, however, are strongly resisted by the landowners who prefer to be free from regulations and regimentation. The outcome of this struggle may have a material bearing on the trend in agriculture for the next several years.

29:Dunn S-4 (1952)1952 MI Middle East
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tributed a 50 per cent decline in yields to insect damage.

In an effort to reduce this damage, the Ministry has employed an Egyptian entomologist and has bought 4,000 tons of insecticides and a large number of tractor-mounted, horse-drawn, and walking dusting units.

The Ministry also has promulgated numerous regulations for controlling insects, calling for mandatory destruction of stalks after harvesting and a host-free period until May 1. All ginning must be completed by the end of April and all the gin trash burned. Planting seed must be sterilised by one of the oil mills through contract with the government. The government also requires all farmers to apply the recommended insecticides. If farmers do not comply, the government applies the poison and charges them for it.

CONTROLS

The government has appointed a Cotton Control Board, with headquarters in Aleppo, charged with the broad responsibility of stabilizing production. The board is responsible for the enforcement of programs in seed distribution, insect control, crop control, ginning and marketing, and new regulations promulgated recently by the Ministry.

Probably the most significant of these many regulations is one limiting the land which may be planted to cotton. In irrigated areas from 40 to 70 per cent of the crop land may be planted to cotton and in dry-land farming areas, only 25 to 33 per cent. The Aleppo area is limited to 50 per cent of the non-irrigated land. The purposes of this regulation, according to the Director General of Agriculture, are to preserve a balance in agricultural

Syria's newest cotton mill is an ultra modern integrated plant just completed in Damascus. The level of efficiency here is far above the average and as a result this mill is exporting about 30 per cent of its production.

29:Dunn S-4 (1952)1952 MI Middle East
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COTTON IN SYRIA

production, conserve water, concentrate cotton so as to facilitate insect control, and protect the cotton industry against the high costs and low prices that might result from over-extension of production. Farmers are required also to receive licenses to plant cotton from the local representatives of the Ministry of Agriculture and the Cotton Board.

The only marketing regulations issued to date require that all bales show the name of the ginner, the identity, and especially the moisture content of the cotton, which cannot be more than 9 per cent. If false claims are made, the government can take 30 per cent of the cotton as a penalty.

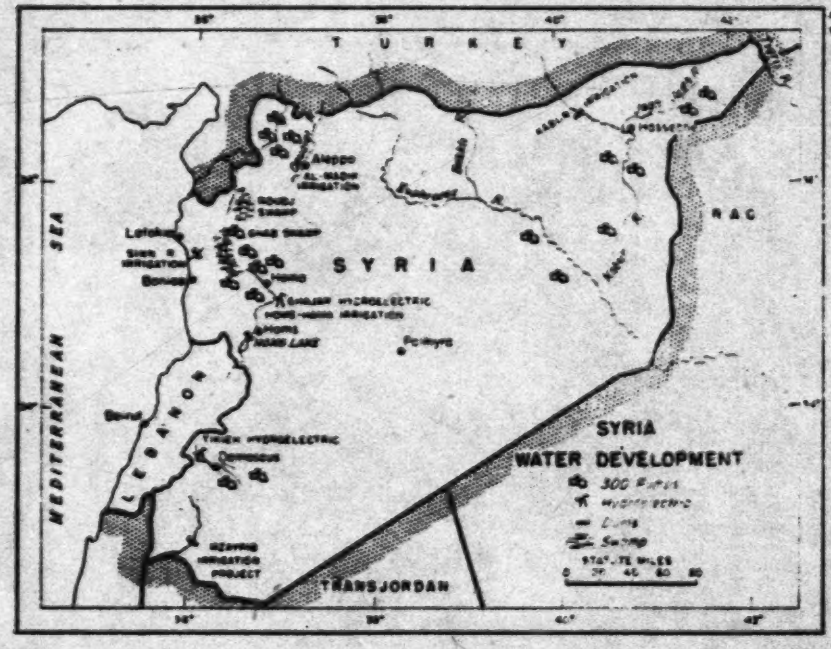
It is obvious that the enforcement of so many scientific regulations and controls over a large area is going to be difficult without a large force of trained technicians and police.

The Director General appreciates that without adequate trained personnel it is not possible to make the regulations completely effective overnight, but he hopes, through education, to obtain the compliance of the producers.

Ambitious research and education programs, another responsibility of the board, are still in the planning stage.

PROSPECTS

It appears unlikely to expect any significant expansion in production in Syria until yields can be stabilized. A start has been made, but a more intensive research and education program is required on cultural practices (particularly irrigation practices), mechanization, and especially insect control, before much improvement can be expected. Such efforts naturally take considerable time, even when funds and technical assistance are available. Both money and know-how are limited in Syria.



of agriculture are the present forms of land tenure. The proportion of large- and small-scale proprietors is not accurately known, but at least one half of the total farm acreage is owned by wealthy, and often absentee, landlords, and worked according to the share-tenancy system. In many northern districts, particularly in Latakia and Al Jazira provinces, the proportion is probably closer to 70 to 80 per cent. Communal ownership by tribes or villages is also common in some areas. The constitution of Syria provides for the creation of a land-owning peasantry through the redistribution and the sale of state lands, but as yet the percentage of independent farmers is relatively small. Many tenant families and agricultural laborers live at subsistence levels under conditions of extreme poverty. Within recent years attempts have been made to encourage the settlement of the Bedouin tribes. Some now live in permanent villages, where they combine cultivation of cereals with the raising of sheep, migrating seasonally with their flocks in search of pasturage.

Wheat is the principal crop. Barley, maize and other cereals are also grown, especially in the areas of Homs, Hama, Hauran and Al Jazira. Olives, fruits and vegetables are important products on the oasis around Damascus and in the coastal region. Cotton is cultivated in Latakia, Aleppo and Al Jazira provinces, while tobacco flourishes in some sections of Latakia. Other industrial crops include sugar cane, sugar beets, sesame, castor oil beans and hemp. Sheep and goats are abundant in all parts of the country, but cattle are found chiefly in the coastal highlands, on the Damascus oasis and in the Hauran region in the southwest. Limited programs for the improvement of methods of farming and animal husbandry are undertaken by the veterinary and the agricultural services of the government. Four agricultural schools are operated by the Ministry of Agriculture—near Latakia, Hama, Aleppo and Damascus. In the Damascus region, the Near East Foundation

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SILICOSIS AND BENIGN PNEUMOCONIOSIS ARE among the most important occupational diseases, but recognized cases are relatively few in number.

The smoking of *Cannabis indica* (hashish) and other types of drug addiction were formerly common. Within recent years they have been combated with some success by restrictive regulations and educational propaganda.

SUMMARY

Modern Syria, an independent republic since 1943, encompasses three of the former Levant states—Syria, Latakia and Jebel ed Druz. It has a population of slightly less than 3.2 million which is predominantly Moslem and Arab, but which includes several important religious and racial minority groups. Over three quarters of the inhabitants live in the western and the northwestern provinces which form the western arm of the so-called "Fertile Crescent."

The Ministry of Health (and Public Assistance), with headquarters in Damascus, is responsible for the health and the medical care of the population. Subordinate provincial health departments carry on the activities of the Ministry in each of the 9 *muhafazats*, or provinces. Autonomous municipal organizations function in Damascus, Aleppo, Homs and Hama. A limited number of philanthropic, mission and international agencies carry on health services in close co-operation with the Ministry. In 1951 there were 47 hospitals in Syria, with an aggregate capacity of 2,255 beds—approximately 0.7 beds per 1,000 inhabitants. Of this number, 22 hospitals, with 1,525 beds, were supported by the government, and the remainder by private organizations. In the same year, the Ministry maintained 111 clinics and dispensaries scattered throughout the country, including 3 maternity and child welfare centers, 7 mobile dispensaries and 6 mobile units for the treatment of specific diseases.

Water supplies are usually deficient, ex-

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purchased from the Agricultural Bank. There is no doubt that these measures have helped to raise cotton yields and quality.

Some help has also been given to growers of cereals, by the importing and sale at half price of seed wheat from France and Italy; 1,500 tons were imported in 1953. The Government has set up five experiment stations, for fruits, cereals and cotton, has expanded agricultural education and has begun extension work among farmers.

The Government has also helped growers financially, by purchasing spraying equipment and pesticides, reselling them to farmers and advancing loans for the purchase of pesticides. The capital of the Agricultural Bank was raised from £S 5.8 million in 1940 to £S 7.2 million in 1945, and £S 21.6 million in 1953. Loans advanced by it increased from £S 268,000 in 1940 to £S 1.6 million in 1945, and £S 12.5 million in 1953. In 1953, the number of borrowers was 20,300 and the recovery rate was 93 per cent. The bank also made loans in kind - cotton and rice seeds, spraying equipment, pesticides, tractors, ploughs and pumps. 1/

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On the other hand, some government measures concerning marketing and exports have had adverse effects on growers. The Cereals Office's attempt to collect grain for the use of the urban population, at below market prices during the winter of 1951/52, following a very poor crop, led to hoarding, and wheat had to be imported at high prices. In 1952, the Government ordered growers to deliver to the Cereals Office one ton of wheat, at £S 250, for every two tons exported; this led to a rise in the export price to above the world level, hampering exports. In 1953, this arrangement was replaced by a lower export tax on wheat and barley. It would appear that these taxes were borne by growers, not by merchants or foreign consumers, and hence that they constituted a subsidy from rural areas to the towns. With the fall in world prices of wheat, the Government abolished the taxes in May 1954. Similarly, it would seem as though the tax on cotton exports introduced in 1952 has been shifted to growers.

Industry

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The rapid post-war industrial growth was chiefly due to private initiative but much government protection and some financial assistance were required by several industries. Most of the new capital was provided by merchants, but there was also an appreciable amount of reinvestment of industrial profits.

1/ Statistical Abstract and la Syrie économique, 1953. In 1953, the bank was authorized to make loans against warehouse receipts issued by the Cereals Office for barley and wheat delivered to it. A rate of 6 per cent is charged on these and all other loans.

433 The building industry expanded considerably during the post-war period. Authorized floor space in new buildings in Damascus increased from 56,000 square
339 metres in 1945, to 209,000 in 1950 and 265,000 in 1953. Output of cement rose correspondingly, from 35,000 tons in 1945 to 68,000 in 1950, 224,000 in 1953 and
323 114,000 tons during the first half of 1954. This fully meets local demand. A glass factory, with a capacity of 10,000 tons, established in the post-war period, reached a maximum production of 5,500 tons in 1954; it exports small amounts to neighbouring countries.

377 Output of electricity showed little increase during the war, but after the
471 war demand rose rapidly. The inability of the foreign concessionary companies operating in Damascus and Aleppo to expand capacity sufficiently fast led the
433 Government, in 1951, to nationalize them, for compensation, and to instal additional equipment; 1/ in 1954, the Homs-Hama electricity company was also nationalized. Output by public utilities has risen considerably in recent years, from 47 million kilowatt-hours in 1947 to 81 million in 1950, 114 million in 1953 and 80 million in the first eight months of 1954; output by industrial power plants is probably over 40 million kilowatt-hours per annum.

433 Other important industries include tanning, and the making of matches, cardboard, soap, nails, pins and plastics.

433 Government assistance to industry has taken four main forms: tariff
656 protection, tax exemption, financial aid and regulation of standards and prices. In the early post-war years foreign competition weighed heavily on the Syrian market. The ending of the customs union with Lebanon in 1950 (see below) led to a decrease in competition in some industries, notably spinning; but other industries, such as weaving and carning, which marketed a substantial proportion of their output in Lebanon, suffered. In recent years, protection has been greatly increased by the raising of customs duties on competing goods 2/ or by prohibiting the importing of such goods: among the prohibited articles were matches, soap, shoes, socks and stockings, glass products, canned fruits and vegetables, wooden furniture and alcoholic drinks. These measures seem to have greatly decreased foreign competition; nevertheless, in recent years, prices of local manufactures have tended to decline. 3/

1/ Between the autumn of 1951 and the end of 1953, a total capacity of 6,450 kilowatts was installed in Damascus (Al Manar, special issue on Syrian industry, Damascus 1954); a total of £S 9.5 million was advanced by the Government to the nationalized firms for expansion and improvements. At the end of 1953, the total capacity of public utilities was 34,000 kilowatts and that of industrial power plants was over 20,000 kilowatts. Two plants with a capacity of 17,000 kilowatts were scheduled for completion at the end of 1954.

2/ For example, in 1952, duties on several types of woollen and cotton goods were raised by 25 to 50 per cent.

3/ The index of wholesale prices of domestic industrial products rose from 93 in 1950 (1949 = 100) to 111 in 1951, but declined to 103 in 1952, 88 in 1953 and 79 in the first nine months of 1954.

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Other measures for the protection and encouragement of industry were taken in September 1952, when new enterprises were exempted from customs duties on machinery and building materials; from property taxes on factory, offices and workers' houses for six years; from income tax on 10 per cent of reinvested profits; and from "tamattu" tax for six years. More direct assistance was provided through loans. In 1949, the Government advanced £S 16.9 million, for a period of three years, to nine industrial companies. In 1952, the loans were extended for another five years, and at the end of 1953 all but £S 220,000 were still outstanding. 1/ Another loan of £S 10 million was advanced to an electricity company.

As a counterpart to the assistance given by it, the Government has increasingly sought to regulate industrial activity. In 1952, the establishment of new factories, or expansion of existing ones, was made conditional on authorization from the Ministry of Economics, which was to be given only if the project were judged both viable and useful to the country's economy. All existing enterprises were also required to register with the Ministry. In 1953, minimum standards were set in the mechanical weaving, underwear, tile, confectionery, tanning, shoe, hosiery and match industries. The Government also intervened in the cotton spinning industry in 1951 and in the vegetable oil and cement industries in 1953 in order to prevent disproportionate rises in prices.

These various measures have been responsible for the survival of some of the newly established industries. Another important factor has been the rise in consumer purchasing power due to the increase in agricultural income. 2/ It is unlikely that Syrian industry will be able to dispense with government assistance in the near future, and its further growth will continue to depend on agricultural development.

Foreign trade and balance of payments

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The outstanding event in the field of foreign trade during the post-war period was the dissolution of the customs union between Lebanon and Syria. Termination of the French Mandate had not loosened the economic ties binding Lebanon and Syria. The customs union between them continued in force. Notes issued by the Banque de Syrie et du Liban circulated freely, at par, in both

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1/ Etude sur la Syrie économique, 1953.

2/ The poor grain crops and low cotton prices of 1951 had very unfavourable effects on industry.